

*Become a possibilitarian. No matter
how dark things seem to be or
actually are, raise your sights and
see the possibilities – always see
them for they are always there.*

Norman Vincent Peale

October 1, 2002

The Honorable Mayor Bob Knight and
Members of the City Council
City of Wichita
Wichita, Kansas

Dear Mayor and Council Members:

The City has experienced some financial turbulence in 2002, and is expected to do so into the next two-year budget cycle. Budget cuts at the State level have resulted in a significant diminishment of State-shared revenues. Local sales taxes, franchise fees, motor vehicle taxes, gasoline taxes, and interest earnings are all expected to be less than anticipated in the current budget. Some will be less than received in 2001. Because of the economic downturn and condition of the local economy, the adopted budget was constructed with no property tax rate increase.

Even though the economy is not strong, the City is called upon to increase spending for public safety and infrastructure maintenance for a community that is growing geographically and in population. The City also has growing needs to support quality of life services in expanding park/recreation facilities, new regional branch library facilities, and museum expansions. Additionally, the City must continue with public investments that contribute to the future economic vitality of the community. A slowing local economy has dampened the City's revenue outlook, but not the City's outlook.

The challenge for the City is to **make a difference** to the citizens of Wichita even in times of constrained fiscal resources. The City must provide public sector leadership to ensure the health, safety and welfare of its citizens; to enhance the quality of life for its citizens; and to support the continued economic growth and development of the community. Making a positive difference is more difficult in fiscally troubled times, but it is still possible. We draw our inspiration from Norman Vincent Peale's exhortation *to see the possibilities...for they are always there.*

Presented is the City Manager's **Adopted 2003/2004 Budget** representing City staff's effort to make a positive difference in the future well-being of the Wichita community. City staff has worked hard and made tough choices in submitting a no tax increase budget to the governing body. The budget first challenges the status quo in order to identify where and how the City can do more with less in all City operations. The budget seeks to reprioritize limited resources to meet citizen expectations that the City will continue to provide the best and most essential public services.

BUDGET HIGHLIGHTS

- ✓ No property tax mill levy increase is required to fund the Adopted 2003 Budget, the tenth consecutive year with no increase.
- ✓ The Public Safety Initiative adds 27 new fire positions to staff a new fire station as well as increase staffing on large fire apparatus (17 additional positions for a second new fire station are projected beyond the next two years).
- ✓ The Public Safety Initiative further ensures more officers (14) to expand police beats and community policing into the growing areas in east and west Wichita.
- ✓ The Infrastructure Maintenance Initiative, begun in 1999, is extended with \$1.2 million annually for contract street maintenance and expanded through more maintenance crews in Public Works and Park, including \$318,410 in new 2003 funding to expand Park facilities and open space maintenance.
- ✓ The Culture and Tourism Initiative increases City funding support \$800,000 annually for the capital/operating costs of the new Art Museum expansion; \$399,270 for additional staffing and operating expenses of two new regional branch libraries; and \$778,660 for the tourism marketing effort, including support for an Aviation Festival in the amount of \$58,000.
- ✓ The Customer Service Initiative continues the expansion of investment in Neighborhood City Halls (expanding from four to six), neighborhood services staff, and employee customer service training.
- ✓ The Low Air Fare Initiative invests in partnerships with air carrier(s) willing to bring low fare flights to Wichita Mid-Continent Airport lowering airfares by as much as 84 percent.
- ✓ The Transformation Initiative was intensified to restructure City operations to lower costs while maintaining high service levels in many departments (Airport, Finance, Fire, General Government, Park, Police, Public Works, and Water/Sewer) so that funding could be identified for high priority efforts with no tax increase.

2003-2004 Adopted BUDGET ***Wichita: A City Making a Difference for Citizens***

A budget, by design, uses a monetary measure as a primary guide to direction. Priorities of programs and services to the citizenry cannot be measured, however, solely by aggregate projections of revenues and expenditures. City government provides services to people. Some services are not even direct, but are the leveraged by-product of the City's leadership. The occasion of presenting a new budget to the governing body is an opportunity to report on the progress of City government in meeting the needs of the citizens of Wichita, as well as the future challenges ahead.

Wichita is a diverse City. Meeting citizen needs means recognizing those needs are as diverse as the people and groups in the City. Citizens can be residents, businesses, the traveling public, the leisure public, youth, taxpayers, or even City employees. Each fit into more than one of these groups. Each group's needs overlap in part, but are also distinct in other ways. The City and its programs and services must respond to all.

RESIDENT CITIZENS

Public safety continues to be a bedrock public service for municipal government to provide to its citizens. The community and the City Council have consistently and clearly articulated that the future of Wichita (or any city) starts with people being and feeling safe in their homes and places of work. Annually, Wichitans call upon their public safety services 304,230 times for police-related calls and 36,000 times for fire and medical alarms.

Progress in making a difference to resident citizens has indeed been dramatic over the last several years. The City Council has acted decisively to increase the public safety presence in the community, neighborhoods, and schools. This effort has included funding to construct and staff four police substations. Community policing was initiated and now thrives alongside regular beat patrols throughout the community. Additional street lighting in selected neighborhood locations has lit the night to improve safety. As the community grows, the budget provides the resources to add two new police beats and community police officers.

Public Safety Initiative – Police

- ✓ Community Policing, 141 officers.
- ✓ Officers in middle and high schools.
- ✓ 2002 funding for two new police beat (14 officers), including two community police officers.
- ✓ Re-allocation of civilian Traffic Safety Officers to commissioned Police Officers

In the fire and medical services, dramatic progress is also underway. A combination capital/operating budget effort provides for the addition of two new fire stations in the coming years and the relocation of eight existing fire stations. Additional fire personnel will be added to key apparatus. In total, 44 fire positions will be added to the existing complement of personnel, a 12 percent increase.

Currently, fire personnel respond to more than 23,000 medical calls a year providing basic life support service. An emerging initiative in emergency medical services is to implement paramedic-level response services by fire personnel. The City Council has already endorsed implementation of this model for 2003.

Public Safety Initiative – Fire

- ✓ Relocate 8 fire stations throughout the city
- ✓ Add 2 new fire stations with staffing of 34 additional firefighters
- ✓ Increase fire staffing on specialty fire apparatus (e.g., aeriels, heavy rescue) adding 10 firefighters
- ✓ Capital costs for station construction estimated at \$15 million

Neighborhoods have more than public safety concerns. Residents are also interested in clean and healthy neighborhoods. The City is expanding from four to six Neighborhood City Halls (NCH) to provide a wide array of public services within neighborhoods, including Police and code enforcement. During the current budget period, Health Inspectors will join Neighborhood Inspectors and office in the NCHs expanding nuisance and premise code inspections in the neighborhoods. The City also continues its innovative Neighborhood Court as a focal point for judicial handling of neighborhood code-related cases.

Neighborhood City Hall Initiative

- ✓ City Council Offices, \$16,500 annually
- ✓ Neighborhood Assistants, \$4,200
- ✓ Community Police, \$16,240 annually
- ✓ Neighborhood Inspectors, \$35,800 annually
- ✓ Customer Service staff, \$158,520 annually
- ✓ Custodial/Maintenance support, \$87,830

Advocacy has been one service provided to Wichita citizens with dramatic results. For nearly a decade the City has partnered with citizen groups and area businesses and given leadership to a campaign for lower electric rates. Last fall, the Kansas Corporation Commission issued an

order to the regulated electric energy supplier in Wichita to lower rates by 6.6 percent. It is estimated this rate reduction will save the Wichita community a collective \$20 million annually, which is equivalent to a 9.2 mill reduction in the City's property tax rate (30 percent). Since the beginning of the campaign, residential electric rates have been reduced by more than 17 percent. This is a clear demonstration of the City's effort to make a difference even in times of restricted fiscal resources.

Serving residents within Wichita, the Water Utility provides 20-billion gallons of safe drinking water annually. The Sewer Utility collects and treats 15-billion gallons of wastewater. The City is continuing with this budget the efforts to extend the water supply another fifty years and to expand the wastewater system to meet the demands of a growing community. Wichita will welcome the second largest city in the county, Derby, as a new water customer in the coming year. Kechi, another area suburb, will soon begin receiving sanitary sewer services. The utilities are providing expanded services at a modest cost. Wichita rates are already low, and the earlier projections of five percent (water) and 8 percent (sewer) capital-driven rate increases have now been lowered to 3 percent annually through changes in utility financing.

In a restructuring of health functions within the community, the City has taken the lead role in environmental health operations while the County will concentrate on clinical health. The City is expanding its efforts in Environmental Health with the addition of an Environmental Compliance Manager. This position will be responsible for ensuring City government sets the example in being a steward of the environment through effective conservation and pollution prevention programs.

Looking forward, the City will be challenged to solidify and sustain the efforts in public safety. With declining grant support and more limited local resources from a constrained economy, further expansion of the Public Safety Initiative will be problematic. Although resources may be constrained, the City will work to successfully deploy paramedic-level emergency services to improve the level of care.

The expansion of neighborhood services through Neighborhood City Halls has been highly successful, but will require more support to expand more public services into the neighborhoods. While the early work of neighborhood assistants and citizen surveys is a good beginning, more work needs to be done to improve neighborhood and community input into local governmental decision-making. Neighborhood Universities, citizen fairs, and District Advisory Boards are all ways to increase citizen engagement.

BUSINESS CITIZENS

From its earliest days, Wichita has been a community that values business and entrepreneurship. As noted in the WSU Center for Economic Development and Business Research City Profile section of the budget document, the Wichita economy is diversified. A Wichita State University Center for Economic Development and Business Research study confirmed that of 46 metropolitan areas in the study, Wichita ranked 10th in economic diversity. Even with the current downward economic cycle, the community can find opportunities for business growth.

Projected Annual Water & Sewer Rate Increases			
	2002	2003	2004
<u>Water</u>			
2001 CIP	5%	5%	5%
Current	3%	3%	3%
<u>Sewer</u>			
2001 CIP	8%	8%	8%
Current	3%	3%	3%

The City recognizes that Wichita is and must remain a center for business and industry in Kansas, especially manufacturing. To retain the economic strength, the City must retain and attract new employers; provide a trained labor force meeting job requirements both today and in the future; and continue policies that grant necessary incentives for new/expanding businesses.

Progress in making a difference to its business citizens is demonstrated in the City's continued strong commitment to developing and enacting policies that are conducive to economic growth and development.

The steadfastness of the tax exemption policy, along with Tax Increment Financing (TIF), has been valuable for initiating growth in manufacturing and commercial development. Wichita's efforts in economic development have resulted in 11,758 jobs created (or retained) through active City efforts over the past five years.

Economic Development Program Tax Incentives Impact					
	1997	1987	1999	2000	2001
Companies	13	16	12	19	22
Jobs Created	2,272	1,328	1,313	5,822	1,023

The premier economic development effort during this budget period is the effort to secure low air fare carrier service to Wichita. One of the most critical problems facing Wichita is the need for affordable air service, especially for the business traveler. The City has pledged a \$5.1 million incentive package to secure AirTran service (\$600,000 in marketing funds and \$4.5 million in stop-loss guarantees). This effort has already dramatically reduced air fares to the east, saving travelers \$10 million annually. Efforts are continuing to secure lower air fare service to the west as well.

A recent City effort was working with Cessna to bring a new Citation Service Center to Wichita that will provide 800 new jobs. In the area of workforce development, the City is partnering in a private-public consortium to identify how skilled labor can be developed for the future. Additionally, web-based technology is being used to match the skills of job seekers with area employers.

The City has also recognized the importance of inner-city redevelopment as an integral part of economic development. A newly enacted Neighborhood Revitalization Act (NRA) has served to enhance growth in the Core Area by providing incentives (such as tax rebates and waivers of permits/fees) to individuals and developers who invest in designated low-to-moderate income areas. A Business Assistance Plan complements the NRA effort with a \$9 million loan program whereby the City and three of the largest banks in the community have partnered to provide technical assistance and discounted interest rates on small business loans for new business growth.

Most recently, the City enacted the Redevelopment Incentives Plan. This program includes modifications to codes to promote rehabilitation, identification and marketing of possible redevelopment sites in the inner-city, and new financial incentives for targeted redevelopment.

With the closure of the Brooks Landfill and opening of the County-sponsored trash transfer station, the City has taken action to open a construction and demolition landfill. This C&D landfill offers a lower cost alternative to the construction industry for disposal of construction debris. Wichita's C&D is the only area landfill authorized to accept friable asbestos, a material often generated during building renovation and/or demolition.

The City has forged alliances with the Wichita Area Chamber of Commerce in joint funding of an economic development office that complements the City's own activities. Economic alliances also extend to neighboring communities through a recently created organization known as the Regional Economic Area Partnership (REAP). REAP is comprised of public sector leaders in south central Kansas to jointly address regional economic development issues, recognizing that when one community benefits, the entire region benefits.

The City supports the business community in tangible ways through its capital and operating budget. A total of 112 design contracts for an aggregate of over \$5 million were issued in 2001, primarily to local engineers and architects. Construction contracts totaling more than \$58 million were let in 2001, primarily to local contractors. Those annual amounts will be exceeded during the budget period.

Looking forward, the City will be challenged to assist its many citizens who have suffered during the downturn in the aviation manufacturing sector. The City must also find ways to continue to invest in new economic development initiatives that will produce new jobs or allow existing business and industry to rebuild. A special challenge is to find the means to assist small and minority-owned businesses to compete more easily and effectively.

TRANSIT CITIZENS

Wichitans are a mobile people. Every day more than 300,000 vehicles travel 1,800 miles of road, across 261 bridges, using 373 signalized intersections and 60,000 traffic signs to guide them. Buses and paratransit vans provide 2.4 million rides a year. Pedestrians are provided 150 signalized crossings. Cyclists have more than 26 miles of bike paths.

Progress in making a difference to the traveling public will be extensive during the years covered by this budget plan. Major east and west segments of the US-54/Kellogg freeway corridor will be constructed over the next 2-3 years at a cost totaling \$259 million. A \$98 million project to elevate the railroad corridor trackage through the center of Wichita will commence. A total of 62 percent of the City's \$1.6 billion ten-year capital program is transportation related (including freeways, arterials, railroads, bridges, Transit, and Airport categories). Within the operating budget, 20 percent of General Fund expenses is dedicated to transportation projects and services; \$21 million in the "Gas Tax" component is spent on road maintenance and other transportation projects.

Infrastructure Maintenance Initiative	
✓	Special Maintenance crew, \$92,020 annually
✓	Median/ROW Maintenance Crew, \$92,020 annually
✓	Enhanced Traffic Signal Maintenance, \$83,000 annually
✓	Maintenance in newly annexed areas, \$200,000
✓	Contracted Street Maintenance, \$5.2 million annually

The local tax subsidy for the City bus system is \$3.5 million annually. The City will complete a bus fleet replacement program in 2002 that will provide 39 new buses. Additionally, new bus shelters and electronic fareboxes will enhance customer service. The fastest growing component of public transit will be special ridership for the physically disabled. The "Access to Jobs" initiative is providing point-to-point transit services for people in the workforce is also underway.

Looking forward, challenges ahead include completion of the freeway corridor and identifying ways to expand maintenance of an infrastructure that is growing rapidly in some areas of the City, and aging to the

point that major rehabilitation is essential in other areas of the City. It will also remain important to ensure that public transit needs can be sustained.

LEISURE CITIZENS

One important measure of a community is the quality of life in the form of leisure and cultural activities. The Wichita community is fortunate to provide many amenities for a community of its size. Park land totaling 4,270 acres is spread throughout the city and includes the outstanding downtown Riverside Park area which hosts many of the activities of the annual River Festival, the largest single gathering of people in Kansas.

The library system has an annual circulation of 1.9 million books and materials. A high quality art museum offers exhibits and programs to 180,000 patrons. Exploration Place, Botanical gardens, historic museums, an ice skating facility, ballpark, five municipal golf courses, ten recreation centers, 12 swimming pools, and an art center are among many other leisure pursuits available in Wichita.

Progress in making a difference to the leisure citizen will be extensive during this budget period. A multi-million dollar refurbishment of Riverside Park will be undertaken. A major expansion of the Wichita Art Museum will open in 2003. Two new regional branch libraries will also open during this period.

The City has also financed a new Tourism Initiative for tourism marketing. This effort includes sponsorship of an Aviation Festival in 2003. Increased park facility/open space maintenance is also included in the adopted budget.

Finally, the environment is not only ecological, but visual. The budget continues a balanced commitment to public art and reforestation to enhance the aesthetic environment important to the enjoyment of leisure time. Efforts are continually made to incorporate pleasing amenities and public art into City-funded projects.

Operations and maintenance of leisure facilities overall is an important component of the City budget. In the General Fund, \$24 million or 15 percent of the total expenditures are related to leisure programs and services. Another \$8.2 million is expended in other funds of the City budget. Maintenance initiative resources included in this budget are targeted significantly toward additional park and right-of-way maintenance.

Looking forward, challenges will include the need to secure increased private/public participation in support of the cultural and leisure projects/programs/services in the community. It will not be possible to achieve long-term success without partnerships. Those partnerships need to include greater private support of museums, art in public spaces, tourism, and reforestation efforts through the Tree Trust.

Transit Enhancements

- ✓ A total of 39 new buses in 2001 and 2002, \$10 million.
- ✓ New bus shelters and benches, \$483,000
- ✓ Increase para-transit services, \$100,000 annually
- ✓ Electronic Fareboxes, \$346,000
- ✓ "Access for Jobs" transportation, \$400,000 annually

Culture and Tourism Enhancements

- ✓ Art Museum Expansion, \$10.5 million
- ✓ Public Art Maintenance, \$50,000 annually
- ✓ Tourism Initiative, \$1.35 million
- ✓ Park Maintenance Initiative, \$318,410 annually
- ✓ 2 new District Libraries, \$399,270 annual net impact after neighborhood branch consolidation

YOUTH CITIZENS

Of the 345,000 citizens of Wichita, more than 90,000 are school age youth. They are not only our children, but the City's greatest future asset. Our youth enjoy many of the same City services as do adults. Youth also have some special needs.

Progress in making a difference to our youth citizens is nowhere more in evidence than the simple recognition by the Mayor and City Council of outstanding young citizens at the weekly City Council meeting. This effort highlights youth who can be an example to others.

Special needs for youth take various forms in the City budget of programs and services. To learn, our youth must first be and feel safe in their schools. As part of the Public Safety Initiative, the City places specially trained Police Officers, known as School Resources Officers, in the middle and high schools. These officers do not replace school security, but offer special services to students and concentrate on policing needs that may arise in the school setting. After the upcoming school year, an evaluation of the program will be conducted and each School Resource Officer may be assigned to two schools, rather than the current single school assignment (specialty personnel supporting more than one school is a recognized service delivery model in the school system).

Youth recreation programming is a key element of the Park & Recreation efforts. Youth sports and recreation are offered at a much lower cost to youth than adults demonstrating the need to support youth who are not yet fully employed. Special funding is provided each year to support special programs targeted to "at-risk" youth who may not be in the mainstream or have the same opportunities as other children. These funds have been used to support expansions of the library collection for literacy programs with the young, operating support for special teen centers, and to underwrite the admission costs of low income youth to community programs.

Summer of Discovery is a day camp for children ages six to twelve, licensed by the Kansas Department of Health and Environment and offered through the City's Department of Park and Recreation. Each week of the 11-week program is designed around a different theme, including sports, entertainment, art, and science. Components include special on-site presenters, field trips to area attractions, swimming, crafts, movies, games, and many other activities.

Looking forward, the challenge is to continue to focus on how the City can partner with schools, the private sector, and parents in a combined effort to prepare our youth for the future. It is only through such cooperative efforts that optimum education, health and recreation services for children can be provided.

EMPLOYEE CITIZENS

City employees are a loyal, hard-working group of special citizens who carry on the work of City government and, by their competence and attitude, substantially determine the level of performance and resulting reputation of City government. In return, the taxpayers of Wichita make the largest investment of their tax dollars in compensating employees.

The growth of the Wichita community, geographically, in population and in services, continues to challenge the City workforce to provide more services, more efficiently. The City has 3,750 employees. The labor market has created challenges with respect to recruiting and retaining qualified employees in all areas of the organization. Competitive wage rates are necessary if the City is to recruit and retain employees.

Progress in making a difference to employee citizens took the form of negotiating with the employee unions for multi-year labor agreements through 2003. City employees are represented by the following unions: Fraternal Order of Police; International Association of Firefighters; Service Employees Union; and Teamsters. An Employees Council represents non-union employees who are afforded a comparable compensation package.

The agreements resulting from a collaborative process between the City and the bargaining units, significantly increased beginning wages to aid in recruiting new City employees, and increased all top wages to enhance the retention of dedicated, longer-term employees. The City offers its employees a comprehensive package of insurance and pension benefits. Pension benefits have been enhanced by an equivalent average value of a 3.9 percent wage increase.

A three-year Health Insurance Benefit Plan was also negotiated and extends through 2003. The City continues to maintain its 80 percent contribution (higher than the union contractual obligation of 75 percent) with employees responsible for the remaining 20 percent of the cost. The new agreement affords the City the ability to budget known costs for health insurance over a three-year period, a substantial benefit given the history of escalating health care costs. Insurance costs may increase marginally over this period due to prescription drug usage and dental insurance.

Job safety of employees is essential to the City organization. Over the last several years, the City has increased its focus on providing employees a safe workplace. The budget includes funds for replacement of equipment as well as new equipment to train employees on safe practices.

A major recent expenditure is the replacement of Self-Contained Breathing Apparatus (SCBA) for the Fire Department at an estimated cost of \$507,000. The equipment, essential to the safety of firefighters, includes air tanks as well as a “PASS” device that warns others if a firefighter is stationary for more than 30 seconds.

In an effort to reduce accident costs, \$300,000 is budgeted in the Self-Insurance Fund for the purchase of driving simulators. The training simulators will be used to refine and improve employee driving skills.

In addition to improving vehicle safety through training equipment, a new charge-back system for workers’ compensation injuries will be initiated that is incentive-based. A flat rate charge (deductible) for each preventable incident must be paid by the department to the Self Insurance Fund from each department’s base budget. The intent of the program is to encourage safer practices by all employees throughout the organization.

Another avenue to support the employee citizens is to provide the technology tools to do their jobs well. New technology is no longer merely useful in supporting City services, it is essential. Technology, and most particularly the Internet, is reshaping the way people and organizations communicate, work and prosper.

The pace of change has become so rapid that implementation of new technology must be immediate. In the adopted budget, the City will continue to advance its commitment to technology.

The City has upgraded its Local Area Network (LAN) in City Hall and is extending high speed access to other City facilities in a Wide Area Network (WAN). In anticipation of system replacement, a replacement fund was established (as old systems paid out, freeing up operating income). This practice has permitted the financing of system replacement without rate increases to users.

With the current budget, the City established its technology focus into an Information Technology (IT) Center that (financially) combines the former Data Center and Telecommunications Funds. The merging of operations creates an environment to continue centralization of IT functions that are now scattered throughout the organization. With the adopted budget, staff will be repositioned to the IT Center creating a better opportunity for resource sharing and skill building as well as providing better customer service. Technology staff positions and resources from Airport, Finance, Fire, Housing, Library, Park, Planning, Police, Public Works, Water/Sewer will move to the IT Center and will retain their area of system expertise, but will be co-located for greater collaboration and economy of scale.

Computer Systems	# Users
Public Safety	1,025
Office Automation	1,050
Utility Billing	90
Park Recreation	30
GIS	115
Firehouse	70
Central Inspection	85
Finance/Payroll	225
Internet Access	330
Telecommunications	1,350

As part of a partnership with the Wichita Convention and Visitors Bureau, the City is funding and will manage the Tourism web site. The initiative is part of the community's larger Cultural Plan to promote Wichita's many tourism assets and attractions.

In 2003, the City will complete the installation of a new public safety system that addresses the information management needs of its Prosecutors, Police and Municipal Court personnel. The state-of-the art system, at a cost of \$2.65 million, will integrate document imaging, bar code and driver's license scanning, and Internet technology. Other new systems under review for 2003 and 2004 are a human resource system, a fleet management system, and a golf course management system.

Technology Enhancements	
✓	Public Safety system, \$2.65 million
✓	Automatic Vehicle Location (AVL), \$645,800
✓	Upgrade operating hardware, \$259,360
✓	Wide Area Network (WAN), \$237,000
✓	Internet Content Management System, \$88,000
✓	Cyber security initiative, \$168,000
✓	Upgrade operating systems, \$384,870

New technology initiated for 2002 and continuing beyond is the creation and enhancement of an Intranet, a central repository of data that can be shared on an internal basis. The Intranet will serve as the corporate "information network" and brings people, processes and information together. The Intranet will allow more than 1,000 employees (without access to the Internet) direct access to Web-based information. The result is an organization that provides uniform information to all employees who use computers in their daily work environment.

The City will continue to build its E-Government capabilities. Last year, the City initiated its first web-based application, e-gov.procurement. The system allows the City to maintain vendor information, solicit

bids, receive and post bids — all on-line. The ability to issue purchase orders, receive invoices and make payments electronically will be added to e-gov.procurement by year-end 2002.

The next steps for E-Government will be payment of fines and fees, submission of permit and license applications, and scheduling inspections on-line. The Internet will become not only an information disbursement resource, but more importantly, an integrated business tool. Citizens will have greater access and more timely information, without limitations of time or place.

The sophistication and availability of the Geographical Information Systems (GIS) continues within the City organization. MapWise was initiated, providing staff throughout the organization with a desktop GIS application. Department budgets throughout the organization have increased to expand the use of effective GIS technology.

The City is embarking on yet another new technology, in partnership with the County and State, known as Automated Vehicle Locator (AVL). This technology will allow real-time monitoring of the location of all City vehicles allowing improved management of resources. The Transit Department will be the first to deploy this latest technology, enabling staff to have “real time” information on the location of buses and vans and providing valuable information to customers using transit services. Additionally, AVL will assist schedulers in route planning and in modifying the system for more timely and efficient service.

Looking forward, the challenge will be for employee citizens to improve services they provide with fewer additional resources. City management has undertaken a major commitment to improve customer service with training underway for every employee in customer service skills. Efforts for 2004 will include future contract negotiations to provide fair and reasonable compensation to employees while also ensuring taxpayers fair and reasonable tax rates. At a time of moderate inflation and economic distress, employees should also expect to receive moderate wage/benefit increases.

TAXPAYING CITIZENS

We are all taxpayers – homeowners, renters, businesses, young, old, rich, poor, and even those who are just visiting Wichita. Property taxes are visible at this time of year; however, every time we purchase something, pay a utility bill or buy an admission ticket, we are also paying money to support City programs and services. The keys to any tax system are that taxes should be only at a level necessary to finance desired programs and services, and should be fair and equitably based on some measure of ability to pay.

Progress in making a difference to taxpaying citizens in this time of increasing demand for public services and public investment to generate economic growth is to also keep taxes moderate and stable. Wichita’s property tax levy is below the average of other cities in Kansas and in the metropolitan area. Responding to the needs of the taxpaying citizens, the City budget accomplishes the following:

- Provides a balanced budget for 2003,
- Absorbs the anticipated loss of revenue growth due to a downturn in the economy,
- Absorbs the loss of revenue due to State budget cuts,

- Absorbs the impact of inflation and increases from a community that has grown 27 percent in physical size and 13 percent in population over the last decade (note: inflation-adjusted General Fund expenditures were less in 2001 than in 1990), and
- Administers the financial affairs of the City based on the highest professional standards of fiscal integrity as recognized by external auditors and through association certifications for excellence of the City's budget, financial reports, and investment practices.

Looking forward, the challenge will be to find ways to mitigate future tax increases by changing the delivery of service so as to meet needs, but also to do so as efficiently as possible. Moody's Investor Service noted in an article: *"No local government can be stronger than its finances."* While Wichita is fortunate in enjoying a strong financial position, the Moody's article further noted: *"Even the best managed and least stressed governments are facing recurring structural imbalances that require fundamental changes rather than incremental adjustments."*

REVENUES AND EXPENDITURES... THE FINANCIAL PICTURE

The Adopted 2003-2004 Budget is an important tool for advancing the City's agenda of progress and making a difference. It is a process of focus and priority setting within the larger picture of resource restrictions and service demands.

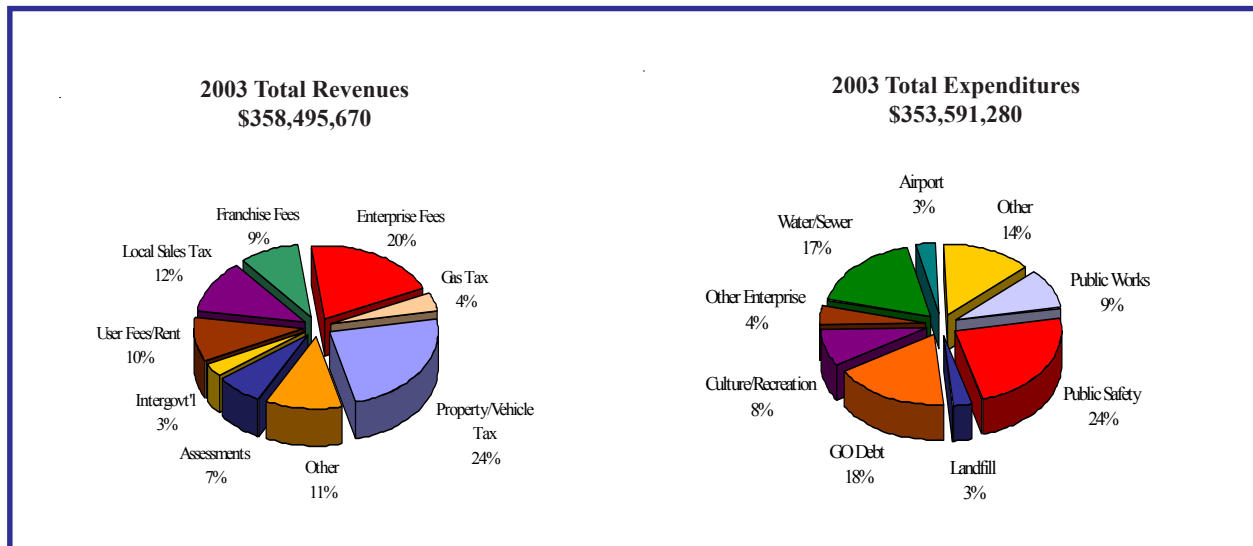
Budgeted revenues for 2003 of \$358,495,670 are derived from several major sources. Certain major revenue categories (e.g., gas tax and special assessments) are legally dedicated resources and can only be used to offset specific expenses. Total revenues are exclusive of internal services, fiduciary funds, enterprise construction and interfund transfers (eliminating double-counting and co-mingling of operating and capital funds).

Adopted 2003 expenditures total \$353,591,280 for all funds, a 1.8 percent reduction from 2002 Adopted expenditures. Expenditures by program/service groups are summarized in the following chart. Increases in the expenditures are primarily the result of higher wage/benefit costs, landfill closure expenses, and one-time adjustments in capital project transfers (the latter two items account for the higher annual 2003 expenditures versus annual 2003 revenues and these return to a normal balance in 2004).

Personnel costs represent the single largest expense, accounting for 42 percent of the total budget (68 percent of the General Fund). For every dollar spent on salaries/wages, the City will spend 27¢ on employee pension and insurance benefits. 2003 General Obligation (GO) debt service, at \$62,642,090 (or 18 percent of the budget), is the second largest expense item. A substantial portion of contractual expenses (19 percent of the total budget) represents the City's efforts to contract work to the private sector.

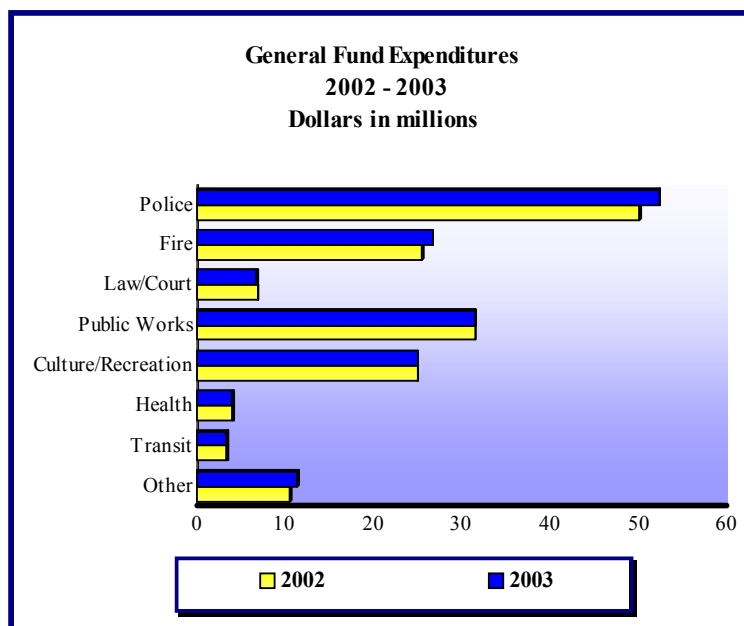
The General Fund is the largest of the City's operational funds, accounting for nearly half of the total City budget. Public safety, public works, parks and recreation, health/housing services and local tax subsidies for transit are the principal programs supported by this fund. The General Fund is one of two major funds that rely upon the ad valorem property tax as a major revenue source.

Overall, 2003 General Fund revenues are projected to increase three percent over the adopted 2002 General Fund budget. Higher growth in property tax receipts and court revenues will offset reductions in other revenues (franchise fees and local sales taxes). State-mandated reductions in the motor vehicle tax formula were phased-in from 1996-2000 and continue into the future. The State has also placed growth caps on portions of the gas tax and reduced other state-shared revenues to be paid to cities.



Major program increases in public safety (police and fire) and in infrastructure maintenance are funded for 2003. Other increases in expenditure levels are driven by higher labor costs from union agreements and health insurance premiums, and moderate inflationary pressures in contractual and commodity expenses (e.g., fuel costs).

The General Fund is balanced for 2003 at \$161,122,590, in revenues and expenditures. The accompanying side chart provides an overall picture of the allocation of General Fund expenditures by general category.



The City of Wichita, to make a difference, must maintain and enhance its core services. This budget defines how Wichita manages its resources to master challenges in basic service delivery.

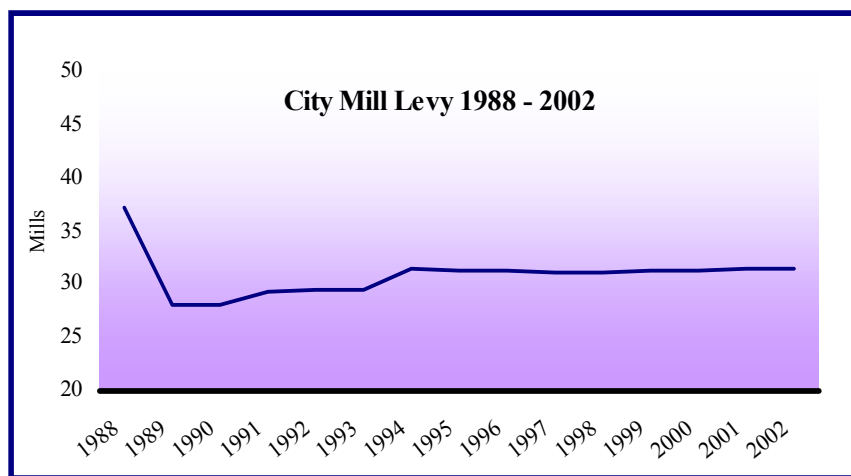
MILL LEVY

Assessed valuation is the measure of property values for taxation purposes. The preliminary estimate of assessed valuation is \$2,308,537,000, an increase of 5.4 percent over the previous year. Final assessed values are set (by the County) after the City's budget is adopted.

The mill levy required to finance the Adopted 2003 Budget is 31.474 mills, no change from the levy requirement for the Adopted 2002 Budget. The mill levy is divided between the General Fund and Debt Service Fund.

Fund	Levy
General Fund	21.474
Debt Service Fund	10.000
Total	31.474

On a comparative basis with the 24 other first class cities in Kansas, Wichita remains below the 35.2 mill average. When compared with the 26 other cities within the Wichita Metropolitan Statistical Area (MSA), Wichita's levy also compares favorably with the average of 45.5 mills for combined municipal and/or fire district services. [Averages are based on 2001 tax levy information and may change as other cities adjust for 2002 tax levies to fund 2003 budgets.]



The average home in Wichita is valued at \$87,700. City property taxes annually will amount to \$317 per year, or \$26.50 per month. A family of four will likely spend about as much (or more) per month for cable television, telephone service, Internet service, or one family trip to the movies (without popcorn). These comparisons serve to emphasize the value represented in municipal

services. For the annual City property taxes, citizens are provided vital police and fire protection, streets, parks, libraries, and a myriad of other services.

In lieu of a tax lid, the State Legislature imposes on local governments a stipulation that the City, by ordinance, acknowledge any growth in General Fund spending based on an increase in property taxes not derived from new development, increased personal property valuation, annexation, or change in use. At the time of publication of the budget document, a final report from the County Clerk was not available to calculate this amount. It will be reported to the City Council during budget hearings and included in the budget ordinance at the time of adoption of the final budget.

2002 REVISED & 2004 APPROVED

City finances do not happen within a narrow fiscal period, but on a time continuum. The annual City Budget not only makes a fiscal statement about the upcoming (2003) fiscal year; like a set of bookends, the Budget also re-examines the current (2002) fiscal year on one end and projects a second (2004) fiscal year on the other end.

2002 REVISED BUDGET The Budget includes revised estimates of current year revenues and expenditures. The procedure of revising the budget is an important element of effective financial management, designed to provide an updated estimate of trends in the current year and to improve budget development for the next year.

In most instances, revised budgets remain within the previously adopted budget levels for each fund. Occasionally, revised estimates resulting from changing needs, or City Council actions, mean an increased expenditure level requiring a re-certification of the budget.

For 2002, total expenditures (all funds) are estimated to be approximately \$350 million, lower than the adopted budget of approximately \$361 million. The lower budget requirements are principally due to salary savings, reduced utility fund outlays, tax increment financing, timing of capital project costs, and staff efforts to reduce expenditures.

Revised estimates of expenditures in the General Fund are \$154,669,250, lower than the adopted budget amount of \$156,468,140. Lower expenditures are due primarily to reduced one-time expenditures, personal services, utility costs, and imposed expenditure reductions. There is no planned drawdown of 2002 General Fund cash reserves.

Debt Service Fund revised expenditures are projected at \$65,325,780, reflecting no change from the adopted budget. Other funds within the 2002 Budget entail revisions based on changing needs, and are noted by fund.

2004 APPROVED BUDGET The 2004 Budget projection is for \$349,188,460 in expenditures. This represents a 3.2 percent decrease from the 2002 Adopted Budget. Increases will be experienced in salary, wage and benefit costs, as well as Water/Sewer utility expenses due to capital project costs. Increases are offset by lower expenses in the landfill and enterprise funds.

The General Fund is projected to increase in 2004 to \$166,116,020, a 3.1 percent increase over the 2003 Budget. The projected increase is due to higher local costs for the Public Safety and Maintenance initiatives along with anticipated increases in employee salary, wage and benefit costs. Based on current estimates, the expenditure requirements in the General Fund could require a drawdown of cash reserves of \$829,920.

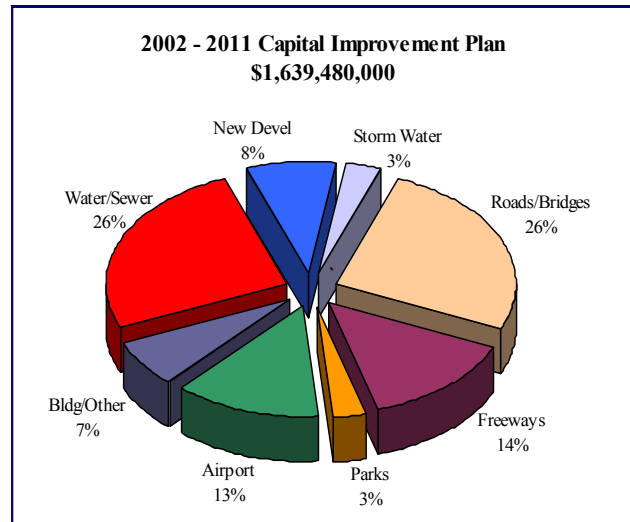
CAPITAL IMPROVEMENT PROGRAM

The Adopted 2002-2011 Capital Improvement Program totals approximately \$1.64 billion over the ten-year period. Revenues to finance this program include: Property Taxes (17 percent), Local Sales Tax (15 percent), Special Assessments (8 percent), Grants (22 percent), and Enterprise Fees (35 percent) from Airport, Water, Sewer, Storm Water, and Golf, and Other (3 percent).

The City finances capital projects in a variety of ways: general obligation bonds/notes, revenue bonds, grants, and cash. The most significant of these are General Obligation (GO) bonds based on the full faith and credit of the City. GO bonds provide debt financing not only for property tax-funded projects but for capital improvement projects where debt service payments are paid by City enterprises (e.g., Airport, Golf, etc.). Based on Generally Accepted Accounting Principles (GAAP), the debt service payments for General Obligation (GO) debt are spread either to the Debt Service Fund or the various enterprise funds, as appropriate.

The City maintains a high-grade (AA) bond rating. Further, the City demonstrates prudent debt practices under State law with City debt well below the legal debt margin at only 34.2 percent of the actual margin.

Capital projects are primarily initiated in the departments of Public Works, Water and Sewer, Park, Transit and Airport. The Program includes funding for freeways, arterials, bridges, facilities, parks, and other amenities. The magnitude and complexity of the Capital Budget highlights the need for increased CIP coordination to ensure timely initiation, tracking, management and completion of capital projects. An interdepartmental staff group is currently working on completion of an improved capital project tracking system.



DEBT SERVICE FUND The Debt Service Fund pays expenditures related to most of the City's General Obligation debt. The first obligation of the Debt Service Fund is to make all debt service payments on existing City bonded indebtedness.

Based on revenue estimates and assuming a constant property tax levy (approximately 10 mills), the remaining resources of the fund are used to assume debt obligations for new capital projects. Funds not required for long-term debt are used to pay for capital project expenses in the form of temporary notes that are retired in the same year (e.g., "pay-as-you-go" financing).

The Debt Service Fund is favorably positioned to support both existing debt and finance new capital projects. Cash reserves of the fund will be reduced to \$3 million by 2003. While this reduction is substantial, the target level of reserve for this fund is not-to-exceed five percent of annual expenditures. The fund is stable as to revenues and most expenditures are incurred late in the fiscal year. A review of the CIP is ongoing. Further revisions to the capital budget will be submitted to the City Council later this year.

BUDGET PROCESS

FUND STRUCTURE The City does not have one budget but many funds, each of which is a legally separate budget. Only two funds, the General Fund and Debt Service Fund, include the property tax as a direct revenue source supporting fund expenditures.

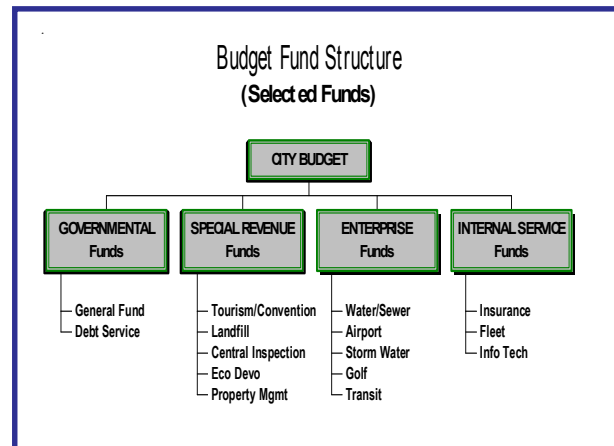
Changes in accounting standards (Governmental Accounting Standards Board or GASB #34) have impacted the fund structure of the budget beginning in 2002. Several smaller funds were consolidated into the General Fund. A number of other funds were reclassified from trust to special revenue fund status.

Financial projections are tailored to each fund. Estimates and patterns of revenues and expenditures will vary by fund based on each fund's circumstance.

CITIZEN INPUT ON BUDGET PRIORITIES The Adopted 2003-2004 Budget addresses concerns voiced by the people of Wichita. As a part of the ongoing budget development process, Budget staff are available for presentations on the City's annual operating budget. Such sessions are open to all citizens and are intended

to present an overview of the budget development process, a review of historical information and current trends, and a preview of upcoming or on-going budget issues.

City staff may use the IDEA Center, attend regular District Advisory Board (DAB) meetings, prepare information for the Internet, or participate in sessions with neighborhood association leaders in order to identify citizen priorities considered most relevant for review and inclusion in the budget development process. A Citizen Survey of community needs was referenced and results of the most recent Comprehensive Plan survey were also made available for Budget staff review.



Community priorities identified included the following: at-risk youth programming (especially in the evening hours); infrastructure maintenance (especially right-of-way maintenance, storm water drainage and street maintenance); municipal court improvements; and neighborhood issues (e.g., code enforcement). There continues to be support for public safety issues.

Citizen concerns are discussed among Budget Review Cabinet members and with the City Manager during review of budget submittals. As indicated throughout the budget, increased financial resources have been appropriated to address those community needs identified as citizens' highest priorities. Follow-up citizen input sessions are planned in the fall to stimulate additional dialogue between elected officials, staff and citizens for future budgets.

FINANCIAL PLANNING Sound financial planning is vital for a municipal corporation. The City's goal in financial planning is to maintain the public's trust/confidence in its ongoing financial stewardship of the public purse through long-term financial forecasting, a balanced budget, cash reserves to absorb cyclical variations in revenues without reductions in services, investor confidence in the City's bond value, and stable tax levies.

The City has established a practice of multi-year budget forecasting. Long-term monitoring of revenues and expenditures helps to avoid recurrence of budget shortfalls leading to service reductions and employee layoffs. The Budget proposes a detailed two-year expenditure plan (2003 and 2004) that is financed from a carefully evaluated appraisal of available revenues. An additional three years (2005-2007) are also forecast for fiscal planning to ascertain the long-term impacts of operating budget decisions.

Another important element in the City's Financial Plan is a balanced budget, in both the legal and fiscal definitions. This means that annually recurring expenditures (other than one-time costs) are paid from annually recurring revenues. The effort to match annual revenues with annual operating expenditures has also aided the City in another important financial goal – to maintain a stable property tax rate. The City has sustained essentially the same mill levy for ten consecutive years.

REVENUE/EXPENDITURE FORECASTING The City's Budget has a multi-year focus: retrospective in reviewing the prior year (2001) actual revenues and expenditures; current in revising 2002 requirements; prospective in budgeting for the next two years (2003/2004); and forecasting an additional three years (2005-2007). Forecasting the financial future of the City is not a precise science. It requires making assumptions about the future. To the greatest extent possible, staff has sought to provide a neutral forecast that is neither too optimistic nor too pessimistic. The forecasting effort in the budget process is the product of assembling information from multiple sources, including:

- Econometric modeling of revenues based on research by Finance staff and WSU faculty,
- Input from state agencies which forecast various governmental revenues (e.g., Gas Tax),
- Local economic trends prepared by the WSU Center for Economic Development and Business Research are presented on page 1 through 10,
- Private sector expertise on select revenue sources (e.g., franchise fees) and
- Finance and other City department staff who monitor revenue and expenditure trends.

BUDGET ADMINISTRATION The budget establishes appropriation and expenditure levels. It is normal for "actual" expenditures to be marginally below "budgeted" expenditures by year-end because of on-going review of expenditures. Likewise, organizations often anticipate within the budget a level of such expenditure savings in the budget development.

The existence of a particular appropriation in the budget does not automatically mean funds are expended. Because of the time span between preparing the budget, subsequent adoption by the governing body and the end of the budget year, as well as rapidly changing economic factors, all expenditures are reviewed prior to any disbursement. These expenditure review procedures assure compliance with City requirements and provide some degree of flexibility for modifying programs to meet changing needs and priorities.

RESERVES

Each of the funds in the City's budget has a separate cash balance position. The cash reserve position of the General Fund is projected to be approximately \$8.8 million unappropriated reserve and \$14.5 million appropriated reserve by year-end (2003). This reserve provides a margin to cover an unforeseen shortfall in anticipated revenues, unexpected expenditure requirements, or support for future year costs without a property tax increase.

The General Fund cash reserve (in total) represents 14.4 percent of 2003 expenditures. It is noted that even if the reserve is maintained at the same dollar amount, it will decline as a percentage of expenditures in the coming years. Significant unknowns remain on the horizon for the City's budget in terms of its continued ability to fund the Public Safety Initiative, as well as the uncertainties of major revenue streams due to the economy and possible State actions. The cash reserve position of the Debt Service Fund is projected at approximately five percent. The reserve of other funds varies as necessary for the specific circumstances of each fund.

Cash reserves are appropriate and necessary for a variety of reasons. The value and necessity for a strong cash reserve position in public finance was reaffirmed by recent events. Despite the current economic

downturn and lower than expected income, the City has been able to continue important public services and invest in new initiatives (e.g., lower air fares).

The cash reserve position is also a significant factor evaluated by bond rating agencies assessing the financial strength of a community. Cash reserves, both as to level (dollar and percentage) and trend (whether reserves are increasing, decreasing or stable), mirror the continued ability of a city to meet its obligations and the willingness of local elected officials to set tax rates commensurate with requirements for a balanced budget.

Revenue Volatility Funds relying on revenues that may vary significantly due to economic or other conditions (e.g., weather) will need higher cash balances than those funds relying on more stable revenues.

Timing of Cash Inflows/Outflows When either receipt of income or the payments for obligations are less predictable or subject to significant fluctuations, relatively higher levels of cash reserves may be necessary to maintain liquidity.

Contingency An unencumbered cash balance provides financial resources to meet most unforeseen contingencies and liabilities while avoiding the necessity of tax/rate increases or use of “no-fund” warrants.

Legal Requirements Some funds may have legal/ regulatory constraints as to either minimum or maximum cash reserve levels, or a contractual obligation governing cash balances (e.g., bond covenant).

The classic definition of a balanced budget is when annually recurring revenues offset annually recurring expenditures. In some funds, expenditures are occurring at a higher rate than revenues, creating a budget imbalance and net reduction in cash reserves. This funding strategy is possible only for a limited period of time if reserves are above target limits. As reserves decline, it will be necessary to restore a balance through expenditure reductions, increases in revenues, or both.

IMPROVING OPERATIONS

The City’s efforts to improve operations and lower costs did not start and do not end with approval of the annual budget. It is necessary to put into place the means to ensure that taxpayers receive

the maximum value in programs and services for each dollar spent. During the course of each year, City staff continues to focus on ways to reduce costs and improve services. In light of the economic downturn, transformation efforts have intensified to restructure City operations to lower costs and release monies for new priorities while maintaining high service levels in many departments (Airport, Finance, Fire, General Government, Park, Police, Public Works, and Water/Sewer). Significant transformation efforts planned for the coming year include:

- *Operational Re-engineering* – An effort to produce cost-saving organizational changes in City operations while maintaining the effectiveness and efficiency of service delivery.
- *Consolidation* – Review of City programs and services to determine if redundancies exist or consolidations can produce cost-savings, first internally within the City organization and second, with other local governments.
- *Privatization/Contracting* – Introduction of competition in operation and pricing of government services, to ascertain those services best and most economically provided by City departments and where private companies are best able to provide a service.

- *Application of Technology* – Continued efforts to apply technologies to lower costs and enhance public services. One aspect of this effort is the merger of technology efforts into a single technology service group to concentrate expertise on achieving an economy of scale.
- *Improved Performance Measurement* – Represents a commitment to expanding performance measurements as a critical component in examining the effectiveness and efficiency of service delivery.

CONCLUSION

What is the city but the people? This was a question posed four centuries ago that remains contemporary to this day. The focus of the Adopted 2003-2004 Budget is about the people, the citizens of this City. The focus of the budget is about making a positive difference in their lives. As the elected representatives of the people, the Mayor and City Council have framed the policies for the municipal corporation to move forward to meet the needs of the people even in a time of economic stress and challenge.

The governing body coalesced around several focal points that reflect what has made Wichita a high quality City and will position Wichita to continue to prosper. These deliberations with the governing body, along with other community leaders and citizen groups, have provided key factors for consideration in the formulation of the City's operating/capital budgets as Wichita moves forward. To build on the City's existing firm foundation, the Mayor, City Council, and others have expressed the belief that the operating and capital budgets should:

- Sustain the continued development of the City, and most especially during this period of economic downturn;
- Invest in the City's infrastructure to serve the current and future needs;
- Target resources in ways that are demonstrably beneficial for the entire community;
- Serve priorities and needs identified by the community (from citizen feedback) so City services are responsive to the public; and
- Address major needs, such as preserving public safety, making critical capital investments and providing effective maintenance and upkeep to the City's assets.

The Adopted Budget was also developed with a view to enhancing the value of City services to the citizens of the community. The budget addresses important public services, delivered through increased use of technology, emphasizing effective management, and within a prudent financial framework.

Even in the face of new economic challenges, the City is moving forward and the Adopted Budget is part of that progress. Critical issues are addressed. Wichita is a safe City. Wichita has an expanding infrastructure network. Wichita can sustain what it builds. Wichita is assured a high-quality water supply at an affordable cost. Wichita offers amenities and a high quality of life. Wichita is investing in economic growth providing jobs. Wichita is investing in new economic undertakings to lower airfares and reduce the cost of business and leisure travel. ***For the tenth consecutive year, the City of Wichita is not raising the property tax rate.***

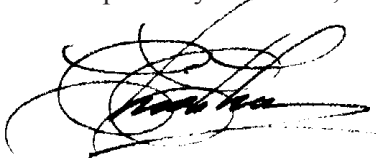
The budget, as adopted, is the best efforts of staff. To achieve a balanced budget addressing the people's needs within a stable tax structure meant difficult choices. Internally, staff undertook serious and tough

actions to re-structure operations and curtail costs to absorb inflation as well as the loss of revenue growth while increasing investment in high priority enhancements. To those in the community who would say services are not enough or taxes are too high, their challenge is to offer concrete proposals of their own; for as the saying goes: *if you have no will to change, you have no right to criticize.*

As City Manager, one of my tasks in submitting an annual budget is to “keep the Council advised as to the financial condition and requirements of the City.” In carrying out this responsibility, I am pleased to report much progress in making a difference addressing the needs of the citizens of Wichita with no property tax increase for the tenth consecutive year. The challenges ahead are numerous, but manageable, if there is a commitment to community, partnerships, and innovation.

Wichita is and will remain a pre-eminent community for people to live, work, and raise a family. The Adopted 2003-2004 Budget is offered as a funding mechanism to continue quality public services into the future. The adopted budget is now placed before the citizens, governing body and staff for its implementation.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Chris Cherches", with a large, stylized flourish above it.

Chris Cherches
City Manager

ACKNOWLEDGMENTS

Formulating the annual budget document is a team effort and the result of countless hours of work. The Budget Review Cabinet, chaired by Cathy Holdeman, did a commendable job in evaluating budget requests. Special thanks and appreciation are extended to the Budget Staff of the Department of Finance for their long hours and hard work: Ray Trail, Kelly Carpenter, Rob Raine, Mark Manning, Carol McMillan, Jay Newton, Cheryl Busada, Brian Silcott, Kendall Niquette, and Sherry Reed.

The City is proud to be the recipient of the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award for every year continuously since 1989; we believe this budget document will also meet those standards. The City also holds the GFOA Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report, having received this award for more years (28 years) than any other governmental entity in Kansas. The City has additionally received the GFOA Certificate of Achievement for Excellence in Financial Reporting for the City's financial reporting on its retirement systems. Finally, the City has received the Certificate of Excellence Award from the Municipal Treasurers' Association for its investment policy, the only governmental entity in Kansas to receive this recognition.